

# **FOSTER CARE AND SUBSIDIZED ADOPTION REPORT**

Prepared for the  
Legislative Finance Committee  
by

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## INTRODUCTION

In March 2000 the Legislative Finance Committee (LFC) requested information about the status of expenditures for the foster care and subsidized adoption programs. This report: 1) provides the LFC with summary information about the actual level of expenditures experienced for these services in fiscal 2000 (including basic information regarding caseloads, cost per client and rate increases); and 2) identifies appropriation issues related to these programs which will be faced by the 2001 legislature.

### SUMMARY INFORMATION – EXPENDITURES, CASELOADS, COST PER CLIENT AND RATE INCREASES

Expenditures of unrestricted general fund for foster care and subsidized adoption programs exceeded the appropriation by 19.6 percent in fiscal 2000. A deficit of more than \$1.2 million occurred in the unrestricted general fund appropriation.<sup>1</sup> All Department of Public Health and Human Services (DPHHS) programs except the Addictive and Mental Disorders Division transferred general fund (ranging from \$8,600 from the Directors Office to \$1,304,000 from Health Policy and Services) into the foster care and subsidized adoption appropriation.<sup>2</sup> Total general fund costs for foster care and subsidized adoption services in fiscal 2000 was approximately \$8.1 million. Based upon a preliminary analysis of the trends in caseload and costs, it appears that the number of clients and costs for foster care and subsidized adoption services will continue to increase through the 2003 biennium.

Table 1 summarizes data including the number of clients, total annual costs and the annual cost per client for fiscal years 1997 through 2000. Attached charts a, b and c provide graphical representations of the data included in Table 1. As demonstrated by the data, the number of adoption subsidies continues to increase both in total and as a percentage of the caseload. Increases in subsidized adoptions are driven by both state and federal policy, which in recent years places increased emphasis on achieving permanency for children in a shortened time frame. The duration of time spent in foster care before the achievement of permanency for the child is an outcome measure that will be monitored at both the federal and state level. Additionally, Title V Part E of the Social Security Act (which is the only source of funding for adoption subsidies other than the general fund) is an entitlement program for those children meeting both financial and programmatic eligibility criteria.

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<sup>1</sup> \$7.6 million was charged to the unrestricted general fund appropriation. Legislative action during the 1999 legislative session resulted in an unrestricted general fund appropriation for foster care and subsidized adoption services of \$6.4 million. Transfers of funds between programs within the Department of Public Health and Human Services (DPHHS) are not included in the \$6.4 million appropriation amount.

<sup>2</sup> It should be noted that \$827,000 general fund was transferred from foster care and subsidized adoption benefit appropriations to the Human and Community Services Division (HCSD) and that \$103,000 general fund was transferred back to the foster care and subsidized adoption appropriation from HCSD at fiscal year end.

Between fiscal 1999 and 2000 the number of foster care clients served increased less than 3 percent but the total costs for foster care services increased approximately 20 percent. Cost increases at a rate greater than the increase in the number of clients are normally caused by: 1) changes in the mix of services provided (an increase in the percentage or number of children receiving the higher cost, more intensive services); and 2) rate increases. While it is difficult to determine the exact influence of each of these elements on the total cost of services, recent changes in state and federal child welfare policies and the state mental health services plan have had or will have an impact the type of services and costs of the services provided to foster care clients.

The 1999 legislature provided funding for rate increases of 1 percent for all providers, \$.50 per day for family foster care providers, and \$.25 per hour for direct care staff employed by foster care facilities. In April 2000 DPHHS granted an additional rate increase of \$1.50 per day to family foster care providers and contractors who provide therapeutic family foster care services. This \$1.50 per day rate increase was retroactive to January 1, 2000 and resulted in family foster care rates which are between 14.9 and 18.5 percent above the fiscal 1999 level. The rate increase for foster care facility providers and contractors who provide therapeutic family foster care services (including the direct care worker rate increase and the mid-year \$1.50 per day increase) ranged from 1 percent to 7.3 percent.

**TABLE 1**  
**Foster Care and Subsidized Adoption**

	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<b>Number of Clients</b>				
Subsidized Adoption	554	673	820	955
Annual Percent Increase		21.48%	21.84%	16.46%
Foster Care	4,079	3,450	3,690	3,788
Annual Percent Increase		-15.42%	6.96%	2.66%
Foster Care and Subsidized Adoption	4,633	4,123	4,510	4,743
Annual Percent Increase		-11.01%	9.39%	5.17%
Subsidized Adoption as a Percentage of Total Clients	11.96%	16.32%	18.18%	20.13%
	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<b>Annual Total Costs</b>				
Subsidized Adoption	\$ 1,666,449	\$ 2,164,369	\$ 2,743,660	\$ 3,301,532
Annual Percent Increase		29.88%	26.76%	20.33%
Foster Care	\$ 12,817,431	\$ 13,370,882	\$ 14,252,025	\$ 17,154,405
Annual Percent Increase		4.32%	6.59%	20.36%
Foster Care and Subsidized Adoption	\$ 14,483,880	\$ 15,535,251	\$ 16,995,685	\$ 20,455,937
Annual Percent Increase		7.26%	9.40%	20.36%
Subsidized Adoption as a Percentage of Total Costs		13.93%	16.14%	16.14%
	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<b>Average Cost Per Client</b>				
Subsidized Adoption	\$ 3,008	\$ 3,216	\$ 3,346	\$ 3,457
Annual Percent Increase		6.91%	4.04%	3.32%
Foster Care	\$ 3,142	\$ 3,876	\$ 3,862	\$ 4,529
Annual Percent Increase		23.34%	-0.34%	17.25%
Total Foster Care and Subsidized Adoption	\$ 3,126	\$ 3,768	\$ 3,768	\$ 4,313
Annual Percent Increase		20.53%	0.01%	14.45%

**Notes:**

Fiscal 2000 client counts and subsidized adoption costs are from the CAPS 5878 report run 7/10/00.

Fiscal 2000 total costs are from SABHRS.

Fiscal 1999, 1998 and 1997 data is from the caseload estimate prepared by the Department of Public Health and Human Services (DPHHS).

## ISSUES TO BE CONSIDERED DURING 2001 LEGISLATIVE SESSION

The items listed below are issues related to foster care and subsidized adoption programs identified by the Legislative Fiscal Division (LFD) and that will be included in the analysis of the 2003 biennium budget.

1. The fiscal 2000 appropriation of unrestricted general fund was overexpended.
2. Due to changes in the amount of Temporary Assistance to Needy Families (TANF) Block Grant funds that may be transferred to Title XX (Social Services Block Grant), it will be necessary to increase general fund support for foster care services if services are to be maintained at the current level. The amount of TANF funds which may be transferred to Title XX is now limited to 4.25 percent of the TANF grant or approximately \$1.9 million per year, which is \$200,000 less than the \$2.1 million spent for foster care services in fiscal 2000.

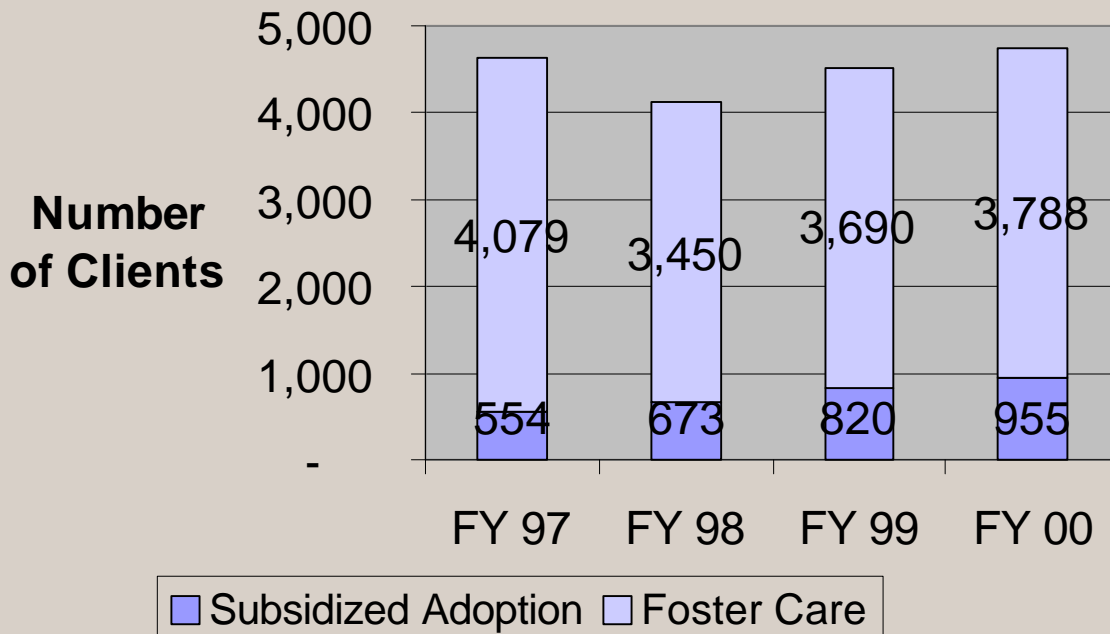
A related issue will appear in the budget analysis for the Disability Services Division (DSD). During fiscal 2000 TANF funds transferred to Title XX were also used in DSD for services for the developmentally disabled. Due to the reduction of the Title XX grant and the limitation on the transfer of TANF funds to Title XX, if the full \$1.9 million which can be transferred from TANF to Title XX is budgeted for foster care services, the DSD will need \$1.4 million of general fund to maintain services for the developmentally disabled at the current level.

3. State special revenue collected from third parties and applied to the costs of foster care decreased to less than \$600,000 in fiscal 2000. These collections appear to be in a downward trend and actual collections are less than the \$950,000 that was appropriated for fiscal 2000. Reductions in the revenue collected from third parties increases the costs charged to other funds with the largest impact occurring in the general fund.
4. Both foster care and subsidized adoption caseloads are expected to continue to grow. Initial Executive Planning Process (EPP) submissions to the Office of Budget and Program Planning (OBPP) estimated foster care caseload growth at 3 percent and subsidized adoption caseload growth at 15 percent for each year of the 2003 biennium.
5. The initial DPHHS EPP submission request rate increases of 50 cents per day for family foster care providers and 3 percent for foster care facility providers.

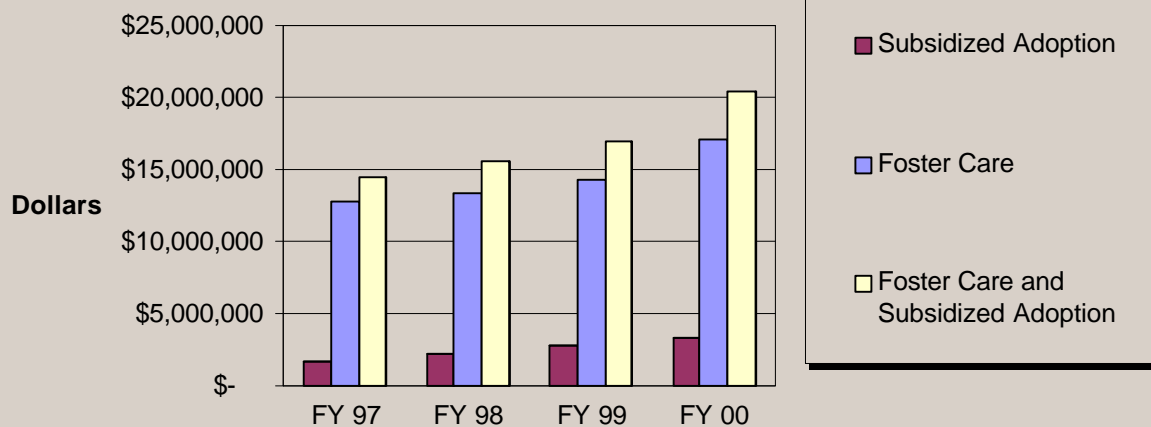
## SUMMARY

This report has attempted to provide a very brief glimpse of: 1) foster care and subsidized adoption expenditures in fiscal 2000; and 2) some of the issues that will be raised during the budget analysis and appropriation process. Updated information and further analysis of the issues discussed in this report will be included in the LFD analysis of the 2003 biennium budget.

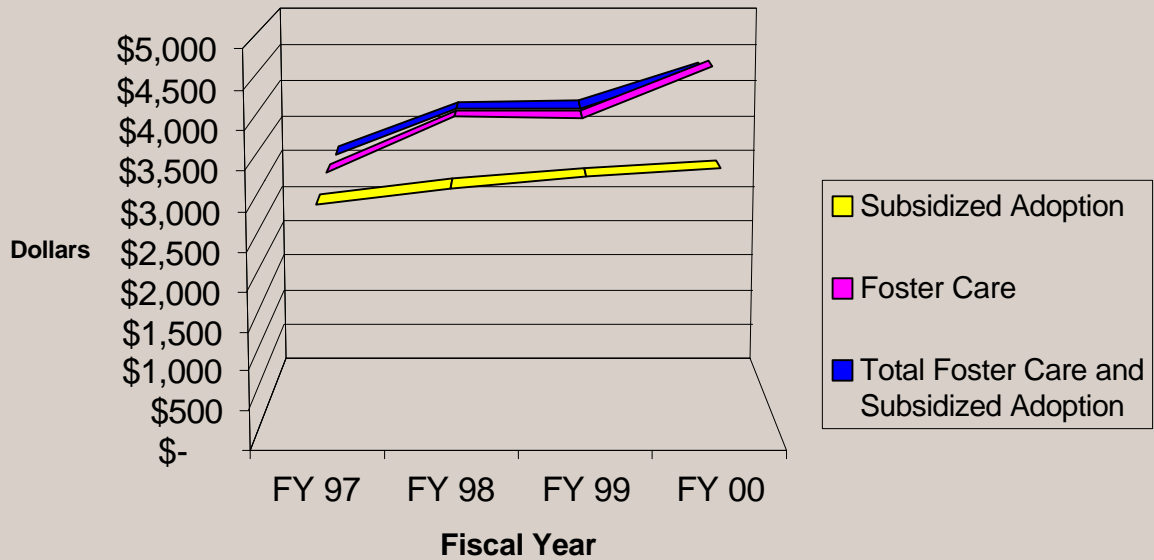
## Foster Care and Subsidized Adoption



## Annual Costs: Foster Care and Subsidized Adoption



### Average Annual Cost Per Client Foster Care and Subsidized Adoption



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